CA2ON
Z 1
-63A22

OCT - 9 1963

4-10

Submission by

Ontario Credit Union League Limited

to the

Royal Commission on Taxation

Submitted on April 15, 1963

LITHOGRAPHERS

SUMMARY OF SUBMISSION

Presented By The

ONTARIO CREDIT UNION LEAGUE LIMITED

To The

ROYAL COMMISSION ON TAXATION

1. The Ontario Credit Union League Limited makes this submission both on its own behalf, and on behalf of its 1,370 member credit unions in Ontario with a two-fold purpose:

   1) To demonstrate our conviction that credit unions should remain exempt from income tax.

   2) To answer demands that credit unions should be subject to income tax.

2. Credit Unions exist to encourage thrift and to provide low-cost loans, and are owned and operated solely by the members for the benefit only of the members. Credit unions arose out of human need and from the philosophy that every man is his brother's keeper.

   Credit unions are operated by member-elected officers, and are controlled by provincial legislation which provides for their regular inspection.

   The capital of a credit union is provided by its members in the form of $5.00 shares, upon which dividends are declarable by the members in Annual Meeting, and by deposits at pre-determined rates of interest fixed by the Board of Directors.

   Should its capital prove inadequate at any time, a credit union may borrow up to 50% of its capital, deposits and surplus, under certain conditions laid down in The Credit Unions Act. The bulk of this borrowing is from our own League Central Department.

   Every credit union is required under statute to set aside at least 20% of its yearly net earnings as a Guarantee Fund to meet losses on uncollectable loans. After providing for this reserve, most of the

Digitized by the Internet Archive
in 2025 with funding from
University of Toronto

https://archive.org/details/submissionstaxat004onta

balance of net earnings is returned to members as dividends on shares, and rebates on loan interest paid. Most of what is left is used for educational purposes or put into specific or general reserves.

The bulk of credit union assets is represented by loans to members. Most of the remainder is represented by liquid assets (cash, deposits, etc.) and by longer term investments mostly in Government or Government guaranteed Bonds.

Ontario credit unions, with half-a-million members, and $275,000,000 in assets, have an increasingly significant place in the economy of this province.

3. A credit union differs in many ways from other financial organizations, but basically as follows:

a) It is a true mutual, owned entirely by its members, and existing only for them.

b) It is essentially a service organization, and does not exist to compete with other organizations.

c) Voluntary workers have played, and still play, a large part in the organization, development and operation of credit unions.

d) It is a non-profit organization, and could, ideally, operate on a strict cost basis, as all surplus earnings are either returned only to the members or set up as necessary reserves.

e) Credit union shares differ from those of an ordinary corporation in numerous ways, such as:

1) Unlimited share capital.

2) Fixed value of shares, which never varies.

3) Only one type of share.

4) Shares do not carry voting power, but membership does.

5) Shares, in practice, are withdrawable on demand.

f) Statutory reserve of 20% of yearly net earnings required against uncollectable loans.

4. Credit Unions and their Leagues pay no income tax under Canadian Income Tax Act, Chapter 148, R.S.C., 1952, Section 62 (1) (k), which particularly provides that business must be restricted to one province, and that revenues are primarily derived from loans to members and from gilt-edged securities. In 1961, 94.7% of League member credit unions' income was derived from loans to members.

The Royal Commission on Co-Operatives (1945) after a thorough study of Canadian credit unions recommended "that the income of Credit Unions.....continues to be excepted from taxation....."

5. This League submits that the present tax position of credit unions should be maintained for the following reasons:

a) Credit Unions have no true profit, being service organizations which could operate at cost.

b) Credit Unions are subsidized by voluntary workers, whose gratuitous labour should not be subject to taxation

c) Double taxation would be the result of taxing credit unions' net earnings, much of which is taxable in the hands of the members.

d) Credit Union members in Ontario, through dues, paid to their League, pay a large part of the cost of their own supervision.

e) Tax revenue potential would be negligible, because net earnings could be reduced in the following ways:

(i) Interest rates on loans to members could be reduced in lieu of paying a rebate out of net earnings.

(ii) The bulk of a credit union's capital could be raised through deposits on which interest would be paid and charged as an expense.

(iii) Voluntary workers could be paid.

(iv) Educational expenditure could be charged as an expense rather than being allocated from net earnings.

(v) Reserves against bad debts could be brought into line with commercial practice, thus reducing Guarantee Fund reserves.

6. The Equitable Income Tax Foundation in their Submission to the Royal Commission on Banking and Finance in 1962, to support its contention that credit unions should be taxed, stated:

a) That the tax position of credit unions has induced an unnatural rate of growth in the movement,

b) That credit unions have used a large part of untaxed profits for expansion purposes,

c) That credit unions show a profit on that part of their members' deposits which is invested in securities,

d) That credit unions "unfairly compete" with fully taxed competitors,

e) That continued growth of credit unions works to the detriment of fully taxed competitors,

f) That credit unions should be taxed like ordinary companies.

All these contentions have been answered in our main submission, and we think, repudiated.

7. The Ontario Credit Union League Limited humbly suggests to the Commission that it recommends to the Government that credit unions and their Leagues continue as at present, not subject to income tax.

TO: Mr. Kenneth LeM. Carter, Chairman

and Members of the Royal Commission on Taxation

Gentlemen:

On behalf of the Ontario Credit Union League Limited, we are pleased to submit herewith our Submission on Taxation.

We feel quite confident that the Commission will give our presentation favourable consideration.

The Ontario Credit Union League Limited is very happy to volunteer the information contained in this Submission and its Appendices, and is most willing to assist the Commission in any way it can.

The Ontario Credit Union League Limited in the preparation of this Submission has attempted to comply with all the guides and directives suggested by the Commission.

I N D E X

I	Introduction.
II	Reasons for presenting Submission.
III	Limited scope of Submission.
IV	What is a Credit Union?
V	Wherein does a Credit Union differ from other financial organizations?
VI	Present tax position of Credit Unions.
VII	Why the present tax position of Credit Unions should be maintained.
VIII	Arguments for taxing Credit Unions answered.
IX	Conclusion.

I INTRODUCTION

P 1 This submission is made by the Ontario Credit Union League Limited both on its own behalf, and on behalf of the 1,370 credit unions in Ontario which are members of this League.

P 2 The Ontario Credit Union League Limited was incorporated in 1942 under provincial charter, being a voluntary association of provincial credit unions, and acting as the co-ordinating body for them and for the 28 local area associations known as Chapters. Currently it is operating under By-Laws revised in 1961 (Appendix 1).

P 3 The objects and purposes of the League are clearly set out in the Credit Unions Act, 1961; Section 53 (1) reads:

"Ten or more credit unions may be incorporated as a league for the object and purpose of,

(a) protecting and advancing the credit unions that are members of the league;

(b) encouraging and assisting educational and advisory work relating to credit unions;

(c) arranging for group bonding of credit union employees and ensuring repayment of loans made by credit unions to their members;

(d) receiving moneys from its members either as payment on shares or as deposits; and

(e) making loans to credit unions that are members of the league."

P 4 Section 53 (7) reads:

"Any competent person authorized by a league incorporated under this section may examine into the affairs of any credit union that is a member of the league and for such purpose he shall be given access to all books, records and other documents of the credit union and he may make whatever inquiries are necessary to ascertain its true condition and its

ability to provide for the payment of its liabilities as they become due, and the officers and employees of the credit union shall facilitate him in his examination and inquiry.'"

P 5

Generally, the League's functions include organization, education, publicity, and examination of credit unions (co-operating with the Credit Unions Branch of the Ontario Department of Insurance in the latter field). The League also works closely with the Provincial Government in connection with changes in credit union legislation.

P 6

The Administration Department of the League is financed by dues of $1.00 per year paid by members of member credit unions. In addition the League Central Department exists to receive surplus funds from member credit unions by way of shares and deposits, and to loan money to credit unions needing extra funds.

P 7

The League is a member of the Credit Union National Association (CUNA), and pays to CUNA nine cents of every dollar of the above mentioned dues.

P 8

The League holds an Annual Meeting to which every member credit union is entitled to send one delegate and one alternate delegate. At the Annual Meeting League Directors are elected, policies made, and the general business of the League discussed and resolved.

P 9

The League Board of Directors consists of eighteen men from all parts of the Province. A permanent staff of some 55 employees perform the day-to-day work of the organization. The staff is headed by a General Manager who is directly responsible to the Board of Directors.

II REASONS FOR MAKING SUBMISSION

The Ontario Credit Union League decided to make this Submission for the following reasons: P 10

(1) To demonstrate our firm conviction that credit unions in Ontario, and their League, by their very nature, should remain as they are at present, not subject to income tax.

(2) To answer the demands of certain other organizations that credit unions be subject to income tax.

III LIMITED SCOPE OF SUBMISSION

P 11

Whilst it is recognized that the terms of reference of the Commission are all-embracing in the field of taxation, the contents of this Submission must necessarily be limited due to the restricted activity of credit unions, and to the lack of developed opinion on broader matters by the organized credit union movement in Ontario.

IV WHAT IS A CREDIT UNION

(A) Definition P 12

A credit union in Ontario is an association of people, in membership together under a common bond, incorporated under provincial charter, for the main purposes of encouraging savings and providing low-cost loans, owned and operated solely by the members for the benefit only of the members.

(B) Origin and growth P 13

Credit unions were first introduced into North America at Levis, Quebec, by Alphonse Desjardins in 1900, and into the United States in 1909. In Ontario 1913 saw the formation of the province's first credit unions, although the first credit union charter was not issued until 1928.

By 1949 there were some 423 active credit unions in Ontario with total assets in excess of $21,000,000 and by 1962 the number of credit unions in the province had risen to more than 1450 with total assets of approximately $275,000,000. 1370 of these credit unions are members of this League, and they can be classified according to their bond of association as follows: P 14

Industrial	720
Community	165
Religious	215
Government - civic, provincial, and federal	135
Ethnic, labour and associational	135
	1370

(C) Philosophy P 15

Credit unions, both in Europe and North America were born out of human need, delivering people from the rapacious usurer, and also providing them with the means

by which, in some measure, they could control their own financial and economic destiny.

The philosophy of credit unions is grounded in the simple idea that "I am my brother's keeper". Hence the association of people with a common bond - industrial, community, religious, government, ethnic, etc,, pooling their resources through savings, and making available those funds for members needing to borrow, with all surpluses after statutory and other necessary reserves being returned to the member. P 16

(D) Operation P 17

A credit union is operated by a Board of Directors, which is responsible for the overall administration, a Secretary and Treasurer, a Credit Committee which approves loans, and a Supervisory Committee which examines and audits the records and books. The Board and Committees are elected by the membership.

Ontario credit unions are controlled by provincial legislation in the form of the Credit Unions Act and the Corporations Act, and are open to government inspection, whilst those credit unions in membership with the League are open also to examination by the League. The employment of external auditors is not statutory, though many credit unions do employ them. The inspections and examinations referred to above are comprehensive enough to provide efficient province-wide supervisory control of credit unions. P 18

(E) Financial Structure

Liabilities

Shares P 19

There is only one class of shares represented in the capital of a credit union. The Credit Unions Act, Section 19 reads:

> "A credit union may create a capital divided into shares, and the amount thereof, the number of shares, and the payments thereon, shall be determined by its by-laws, but the amount of each share shall in no case exceed $10."

However, the Ontario Standard By-Laws, Article III, 1, (Appendix 2) limits the value of each share to $5.00, which is the norm for Ontario credit unions.

A dividend may be paid annually on shares, on the P 20 recommendation of the Board of Directors, and on the approval of the members at the annual meeting. The Credit Unions Act, Section 44 reads:

> "At each annual meeting a credit union may by resolution upon the recommendation of the board of directors declare a dividend payable to all members at the end of the previous fiscal year on the amounts paid in on shares held by such members at any time during the year as is determined by the resolution".

Government statistics for 1961, (Appendix 3) P 21 indicates that overall, Shares represented 69% of credit union liabilities.

Shares have formed by far the largest part of P 22 credit union liabilities in Ontario for the following reasons:

IV WHAT IS A CREDIT UNION

1. Shares have always been regarded as the fundamental "capital" of a credit union, and as the members own the organization, it seemed natural to express that ownership by investment in shares. Deposits were regarded as secondary, being introduced for personal chequing service or to attract more new money than shares were providing.

2. Members investing in shares, share a common liability --to the extent of their shareholding, whereas depositors are preferred creditors. Credit union philosophy suggests to us that a preponderance of shareholding over deposits is more in keeping with the credit union idea.

3. The fact that shares form the major part of a credit union's liabilities results in larger allocations to the Guarantee Fund. Deposit interest is usually charged as an expense, thus reducing net profits on which the 20% statutory allocation to the Guarantee Fund is based. Dividends on shares are, of course, a distribution from Undivided Earnings (net profit plus accumulated surplus).

Deposits P 23

Deposits are permitted under Section 4 (1a) of The Credit Unions Act:

> "the receiving of moneys on deposit from members and as payment for shares".

and under Article IV (1) of the Standard By-Laws (Appendix 2). Two classes of deposits are commonly used by credit unions:

(a) Regular deposits, bearing interest, generally depending on length of time funds remain on deposit. Interest rates generally vary between 3 and 5 per cent.

(b) Deposits for personal orders offered by about 6% of Ontario credit unions. Interest rates vary from nil to 3%.

Government statistics for 1961 (Appendix 3) indicate that overall, Deposits represented 18% of credit union liabilities. P 24

Loans Payable P 25

A credit union may borrow up to 50% of its capital, deposits and surplus. The Credit Unions Act reads:

Section 36,

"The board of directors of a credit union may pass resolutions for borrowing money but at no time shall the total amount borrowed exceed 50 per cent of its capital, deposits and surplus."

Section 37,

"Nothing in section 36 limits the amount that may be received on deposit from members."

Section 38,

"No resolution referred to in section 36 takes effect until it has been confirmed by a vote of not less than two-thirds of the members present or represented by proxy at a general meeting of the credit union, duly called for considering the resolution by notice specifying the terms of the resolution to be confirmed, or until unanimously sanctioned in writing by the members of the credit union, but no

confirmation of any such resolution is required when the total sum borrowed does not exceed 25 per cent of the capital, deposits and surplus of the credit union."

The bulk of the borrowing is from the League Central, with the Ontario Co-operative Credit Society and chartered Banks providing most of the balance. Loans Payable (Borrowing) accounted for 4% of total liabilities in 1961 (Appendix 3). P 26

Guarantee Fund Reserve P 27

Section 28 (1) of the Credit Unions Act provides that "Every credit union shall set aside at least 20 per cent of its yearly net profits as a guarantee fund to meet losses, and the fund shall be held as a reserve against uncollectable loans and losses, but where at the close of any fiscal year the amount set aside for the guarantee fund equals at least 10 per cent of the total amount received from members on deposit and as payment for shares, the directors may, subject to the approval of two-thirds of the members present at the annual meeting, direct that no moneys be set aside for the guarantee fund for the then current year."

The Government statistics for 1961 (Appendix 3) indicate: P 28

Guarantee Fund	$9,032,120.	
Plus 20% of 1961 Earnings	2,497,975.	
Total		$11,530,095.

This total represents 5.2% of members' loans.

Undivided Earnings P 29

The net earnings of a credit union for a fiscal year

(income less expenses) are credited to an Undivided Earnings account. After providing for the statutory Guarantee Fund reserve of 20% (para. 27 above), most of the balance is returned to members in the form of dividends on shares, and often in rebates on loan interest paid during the year. Frequently there is a balance left in the Undivided Earnings account. Some credit unions make a practice of building this account up as a reserve fund, sometimes transferring amounts from Undivided Earnings to a Contingency, Building or General Reserve. Such reserves would be available for future use as the membership might determine.

Other Funds and Reserves P 30

These generally consist of Contingency, Building and General Reserves (see para. 29 above) and Educational Funds. Regarding the latter, The Credit Unions Act 1961, Section 28 (2) states:

"A credit union may by resolution of the members pro- P 31
vide that, after making provision for the guarantee fund and before declaring a dividend, an amount not exceeding 5 per cent of the net earnings be set aside in a special fund to be used for such educational purposes as are specified in the resolution."

Assets P 32

Loans to members. The basic policy of credit unions regarding investment of funds received is to loan out the bulk of such funds to members. The government statistics for 1961 (Appendix 3) indicate that an overall average of 82.6% of credit union assets are represented by loans to members.

Other Assets P 33

The same statistics indicate the breakdown of other credit union assets as follows:

(a)	Cash	6.1%
(b)	Investments	9.8%
(c)	Land & Buildings	0.9%
(d)	Other Assets (Equipment, Prepaids etc)	0.8%

(F) Economic Significance P 34

This League feels that Ontario credit unions have an increasingly important place in the economy of the province and in the well-being of its people, more than half-a-million of whom are credit union members. Among the accomplishments of these credit unions we mention the following:

1. Successful encouragement of thrift.
2. Making available low-cost loans to many people not otherwise eligible for such loans.
3. The training of thousands of voluntary workers who give time and talents in the service of their fellow-men.
4. Family financial counselling.
5. Improvement of relations between labour and management by industrial credit unions.
6. Improvement of local economic conditions through strong community credit unions.

V WHEREIN DOES A CREDIT UNION DIFFER FROM OTHER FINANCIAL ORGANIZATIONS ?

(A) True mutual P 35

A credit union is wholly owned by its members, accepting moneys for shares and deposits only from members, and making loans only to members. Section 4 (1) of The Credit Unions Act 1961 states:

"Credit unions may be incorporated having for their object and purpose,

(a) the receiving of moneys on deposit from members and as payment for shares;

(b) the making of loans to members with or without security for provident and productive purposes."

A credit union's financial dealings with non-members P 36 is generally confined to its banker, and to those organizations with which its surplus funds are invested.

The Ontario Credit Union League Statistics for 1961 P 37 (Appendix 4) indicate that investments represented 8.2% of credit union assets, broken down as follows:

In Ontario Credit Union League	3.3%
In Ontario Co-operative Credit Society	1.6%
In Government and Government Guarantee Bonds	2.5%
In other investments	.. 8%
	8.2%

A credit union's income, therefore, is mainly derived from transactions with the members, and operational earnings are returned to the members only.

It is relevant here to note that a credit union cannot P 38 be taken over by foreign-owned interests. It is owned by Ontario residents, and it is restricted to carrying on business in the province. It must by its nature be

and remain Ontario and Canadian-owned. (See quotations from Canadian Income Tax Act (para 52 - i, below))

(B) Service organization P 39

A credit union is essentially a service organization. It exists solely to serve its members who are linked by the common bond of employment, religious, racial origin etc. It does not exist to compete with other financial organizations, but just to serve its own members. It has no need to engage in any kind of competitive activity, because its scope of operation is limited to its own members, to whom it offers a reasonable return on savings, and low-cost loans, with both savings and loans being insured.

Alphonse Desjardins, founder of the credit union P 40
movement in North America, described the organization as "the institutional expression of high social ideals".

(C) Voluntary Workers P 41

The credit union movement in Ontario was founded and largely built up by volunteer, unpaid workers. In testimony before the Royal Commission on Co-Operatives, 1945, the then President of this League, the late Mr. R. Macdonald, speaking of his own Credit Union, of which he was an officer, stated that his credit union officers did not receive any remuneration whatsoever for the work they did for the credit union.

Due to the tremendous growth of the movement since P 42
then, the position has of necessity changed somewhat.

V WHEREIN DOES A CREDIT UNION DIFFER FROM OTHER FINANCIAL ORGANIZATIONS

Upwards of 150 credit unions in Ontario now employ full-time staff, whilst others engage part-time help. Some credit unions pay small honoraria to officers who are not employees, but many do not pay anything. The minimum number of officers a credit union can have in Ontario is 11 (5 on the Board of Directors, 3 Supervisory Committee and 3 Credit Committee). Boards sometimes have as many as 12 directors, whilst Credit Committees sometimes have up to 7 members. As there are more than 1,450 credit unions in Ontario, there must be at least 15,950 officers, the large majority of whom receive no remuneration or at best a small honoraria to cover necessary expenses of attending meetings.

The main reason for the large volume of unpaid voluntary work in our credit unions is that the persons concerned are imbued with the philosophy of credit unionism, and so are glad to give time and energy in serving their fellows. P 43

(D) Non-profit organizations P 44

Essentially, a credit union is not in business to make a profit. It exists to encourage thrift in its members and to make low-cost loans out of the members' own savings.

At the fiscal year-end, after providing for the statutory reserves (20% of net earnings), a credit union pays a reasonable return on the members' savings, and if there are sufficient net earnings remaining, makes a rebate on loan interest paid by members P 45

during the year.

A credit union could, ideally, operate on a strict cost basis, by paying a fixed, pre-determined interest rate on members' deposits in the credit union, which interest would be a charge against income, and by reducing the interest rate charged on loans to members. Earnings or "profits" would thus be virtually eliminated. The reasons why credit unions do not so operate, are as follows: P 46

(1) Shares have always been regarded as the fundamental "capital" of a credit union, and as such are eligible for a declarable dividend at the Annual Meeting. Deposits, bearing fixed interest charged against income, have always been a secondary source of funds, being introduced for personal chequing service, or to attract more new money than shares were providing.

(2) Section 29, (2) of the Credit Unions Act 1961 states:

> "Interest together with all charges and penalties shall not exceed 1 per cent per month on the unpaid balance of any loan."

This rate of 1% is charged by the majority of Ontario credit unions, though lower rates are often charged by rural credit unions. The reason for the 1% charge is twofold, that it is so easily calculated, and that it could be difficult to estimate the operating costs of the credit union sufficiently accurately to reduce the interest

rate to a minimum figure without risking an operating loss.

(E) Share Capital P 47

The shares of a credit union are generally different from those of an ordinary corporation in the following ways:

(1) A credit union has no fixed share capital, that is, it may accept monies for shares from members to an unlimited amount, and no share certificates are issued.

(2) A share has a fixed value, usually $5.00, which value never varies.

(3) There is only one type of share, rather than common and preference, cumulative or non-cumulative etc. as may be found in other corporations. All shares qualify equally for the same dividend.

(4) Shares do not carry voting power, but rather, membership does; one member, one vote, irrespective of the number of shares held.

(5) In practice credit union shares are withdrawable on demand, subject to being security on a loan. The Board of Directors is empowered to require 60 days' notice of withdrawal of shares (By-Laws Article III, 3-see Appendix 2), but in practice this is seldom done.

(6) "A member is not liable to the credit union for shares subscribed for in excess of the amount actually paid thereon." (Section 20 (3) of The Credit Unions Act).

V WHEREIN DOES A CREDIT UNION DIFFER FROM OTHER FINANCIAL ORGANIZATIONS

(F) Statutory Reserve P 48

Every Ontario credit union is required under Section 28 (1) of the Credit Unions Act, to set aside at least 20 per cent of its yearly net earnings as a guarantee fund to meet losses. (see para 27 above).

Uncollectable loans are written off against this re- P 49
serve fund, and where the fund is inadequate, a credit union may (by consent of the members) allocate more than the required 20% of net earnings.

This statutory reserve is in contrast with the practice P 50
of ordinary corporations of setting up reserves for bad debts based on the actual or potential loss situation.

VI PRESENT TAX POSITION OF CREDIT UNIONS

Credit unions in Ontario pay municipal taxes where applicable and all credit unions pay a provincial "place of business" tax of $5.00 per year. P 51

Credit unions or Credit Union Leagues do not pay any income tax in accordance with the Canadian Income Tax Act, Chapter 148, R.S.C. 1952, under Section 62 (1) (k) which reads: P 52

> "No tax is payable under this Part upon the taxable income of a person for a period when that person was.....a corporation or association incorporated or organized as a credit union or co-operative credit society if:
>
> (i) it was restricted to carrying on business in one province, and it derived its revenues primarily from
>
> (A) loans made to, or cashing cheques for, members residing within the province,
>
> (B) bonds of, or guaranteed by, the government of Canada or a province, or
>
> (C) loans made to a co-operative credit society of which it is a member, or
>
> (ii) the members thereof were corporations or associations
>
> (A) incorporated or organized as credit unions substantially all of which derived their revenues primarily from loans made to members or from bonds of, or guaranteed by, the Government of Canada or a province,
>
> (B) incorporated, organized or registered under provincial co-operative legislation or governed by such legislation, or

(C) incorporated or organized for charitable purposes, or were corporations or associations no part of the income of which was payable to, or otherwise benefitted personally, any shareholder or member thereof."

As previously noted, the Ontario Credit Union League and all Ontario credit unions are restricted to carrying on business in this province - (i) above.

As will be seen by the League 1961 statistics (Appendix 4), 94.7% of our credit unions' income was derived from loans made to members - (i) (A) above, whilst 3.1% of their income was derived from investments; the bulk of the investment outside the credit union movement being in Government or Government guaranteed bonds -(i) (B) above.

The Ontario Credit Union League qualifies under (ii) (A) above.

We feel that it might be relevant here to quote from the Report of the Royal Commission on Co-operatives (1945), pp 52 and 53:

"No submissions were made to the Commission from business interests expressing opposition to credit unions or claiming that credit unions should be taxed on the ground that they are competing with other types of business enterprise. The contention was advanced, however, that no business enterprise should be entitled to exemption and that no exception should be made in the case of credit unions or federations thereof.

We are satisfied that credit unions perform a highly useful function in assisting people who are unable to take effective advantage of savings and loan facilities provided by other lending institutions. We are also

satisfied that credit unions are not displacing any other type of business enterprise, except to provide an alternative source of loans in a field where individual money lenders or lending institutions do not provide similar credit facilities at comparable net rates. It is clear, therefore, that unions provide a useful supplement to other lending institutions and that the continued development of credit unions is desirable from the standpoint of the public interest.

Credit unions return to their members a very high proportion of their surplus earnings. In some cases, however, they are retaining amounts which appear to be larger than are required for reserves against bad loans and losses on the basis of past experience. If they were to be taxed by the methods we have recommended for co-operative associations, additions to these excess reserves would be made subject to tax. However, the individual amounts to be assessed would, in many cases, be very small. Moreover, we consider that it is not desirable to discourage the accumulation of reserves to protect the savings of members who, for the most part, receive small or very moderate incomes."

Under the "Summary of recommendations regarding credit unions," the report states:

"That the income of credit unions....continue to be excepted from taxation.....".

VII WHY THE PRESENT TAX POSITION OF CREDIT UNIONS SHOULD BE MAINTAINED

(a) No true profit P 58

As indicated in paras. 44/46 above, a credit union is substantially a non-profit corporation, which could operate virtually at cost, but for the practical reasons stated in para 46, it returns the bulk of the net earnings after statutory reserves to the members.

In other words, a credit union is a restricted group of P 59
people pooling their resources and lending from those resources to those within the group who need to borrow.

Again we stress that credit unions are not in business for P 60
profit, but to encourage thrift, offering a reasonable return to the members on their savings, and to provide insured low-cost loans to the members.

(b) Voluntary Workers P 61

As explained in paras. 41 and 42 above voluntary unpaid workers have played, and still play, a large part in the operation of credit unions. If all these workers were paid at a reasonable rate for the time they devote to their credit unions, net earnings would be considerably reduced. In effect, such voluntary workers are subsidizing their credit unions, and to make credit unions subject to income tax would be tantamount to taxing the countless thousands of hours selflessly spent by these individuals in the service of their fellows.

(c) Double Taxation P 62

Dividends paid by credit unions, and usually credited to members' share accounts rather than paid out in cash, are taxable in the hands of the member, if of course his income is in the taxable class. The same is true of interest

rebates in those cases where the relevant loans were for business purposes, and the interest paid thereon was claimed as an expense.

If credit unions were subject to income tax, then the taxing of dividends and rebates in the hands of the recipients would amount to double taxation. P 63

(d) Supervision P 64

Originally Ontario credit unions were administered by the Department of Agriculture. In 1953 the Department of Insurance took over their administration, and a program of inspection was instituted. This inspection program was carried out faithfully by the Credit Unions Branch of the Department of Insurance, but by 1955 thecredit unions chartered in Ontario had become too numerous for the administrative body to handle and control effectively with existing staff.

In January 1956 the then Attorney-General of Ontario met with the Board of this League regarding adequate supervision and audit of credit unions in the province. As a consequence of this meeting, this League presented a brief to the Attorney-General in October 1956, which resulted in legislation giving power to the League to examine the affairs of any member credit union. Section 53 (7) of The Credit Unions Act 1961 reads as follows: P 65

"Any competent person authorized by a league incorporated under this section may examine into the affairs of any credit union that is a member of the league and for such purpose he shall be given access

to all books, records and other documents of the credit union and he may make whatever inquiries are necessary to ascertain its true condition and its ability to provide for the payment of its liabilities as they become due, and the officers and employees of the credit union shall facilitate him in his examination and inquiry."

In addition, at the League's 17th Annual Meeting in March 1957, member dues were raised from 50 cents a year to $1.00 a year, to finance a greatly expanded examination program. This program of supervision went into effect in April 1958, and has grown until at the end of 1962, twenty-two League employees in ten areas throughout the province, under the direction of a Public Accountant, are engaged in examining League member credit unions. In 1962 this League made thorough examinations of 685 credit unions. P 66

The Department of Insurance also has ten inspectors engaged in similar supervisory and inspection work. P 67

If the credit unions in this province were not largely policing themselves, through their League, the government administering body would have to be considerably larger than it is in order to supervise the credit unions adequately. This would involve the expenditure of considerably more of the taxpayers' money. The credit unions, therefore, through their members' dues, are paying indirectly for their own supervision, and so reducing the cost of government supervision paid for through taxes. P 68

(e) Tax revenue potential P 69

It is the contention of this League that if credit unions were made subject to income tax, the tax revenue potential would be negligible, for the following reasons:

(i) Credit unions would reduce interest rates on loans to members rather than make rebates after the fiscal year end, thus reducing the net earnings considerably. In 1961, the average rebate paid by Ontario credit unions was approximately 16%.

(ii) The tendency might well be for credit unions to encourage deposit money from their members, at a fixed interest rate, which interest would be a charge against income, thus reducing the net earnings further, and leaving a smaller amount of share money eligible for dividends payable out of net earnings.

(iii) Credit unions might well consider paying those voluntary workers who are currently serving their credit unions without remuneration, and increasing the remuneration of those who are currently receiving token honoraria for their services.

(iv) Those credit unions which generally vote up to 5% of their net earnings (after making provision for the guarantee fund) to be set aside for educational purposes, in accordance with Section 28(2) of The Credit Unions Act, 1961 (see para 31 above) no doubt would instead treat payments for educational purposes as expenses to be charged against income, reducing net earnings still further.

VII WHY THE PRESENT TAX POSITION OF CREDIT UNIONS SHOULD BE MAINTAINED

(v) The Report of the Royal Commission on Co-operatives (1945) pages 52 and 53 states in part:

> "Credit unions return to their members a very high proportion of their surplus earnings. In some cases, however, they are retaining amounts which appear to be larger than are required for reserves against bad loans and losses on the basis of past experience. If they were to be taxed by the methods we have recommended for co-operative associations, additions to these excess reserves would be made subject to tax. However, the individual amounts to be assessed would, in many cases, be very small. Moreover, we consider that it is not desirable to discourage the accumulation of reserves to protect the savings of members who, for the most part, receive small or very moderate incomes."

In this connection we point out that the total Guarantee Funds at the end of 1961 (see para 28) amounted to $11,530,095 or 5.2% of loans outstanding. At the same time delinquent loans recorded by credit unions were approximately $11,000,000, or 5% of loans outstanding. Of this $11,000.000statistics produced by the Ontario Department of Insurance for 1961 show loans delinquent for six months or more totalling $2,345,542. or 1.1% of loans outstanding. In addition, loans totalling $574,261 were reported as having been written off during the year.

The Guarantee Fund reserve does not appear to be unreasonably excessive compared with bad debt provisions made by other corporations. However, if credit unions

were subject to income tax, The Credit Unions Act would undoubtedly need amendment, as there would be very small net earnings on which to base the 20% transfer to Guarantee Fund currently required under the Act. Credit unions would need rather to set up provisions for bad debts in a similar fashion to other corporations.

(vi) In view of the above, it would appear that the administrative costs involved in collecting income tax might well exceed the amounts collected.

(vii) This League feels that the following quotation from page 52 of the Report of the Royal Commission on Co-operatives (1945) is still relevant in 1963;

> "We are satisfied that credit unions perform a highly useful function in assisting people who are unable to take effective advantage of savings and loan facilities provided by other lending institutions. We are also satisfied that credit unions are not displacing any other type of business enterprise, except to provide an alternative source of loans in a field where individual money lenders or lending institutions do not provide similar credit facilities at comparable net rates. It is clear, therefore, that unions provide a useful supplement to other lending institutions and that the continued development of credit unions is desirable from the standpoint of the public interest."

VIII ARGUMENTS FOR TAXING CREDIT UNIONS ANSWERED

The Ontario Credit Union League wishes to take this opportunity P 70
to answer certain statements made by The Equitable Income Tax Foundation in their Submission to the Royal Commission on Banking and Finance, dated September 28th, 1962, which statements were made to support its contention that credit unions should be taxed.

(A) Page 3 of the above-mentioned submission, paragraph 2 P 71
reads "It is our belief that in the taxation of Co-operatives as compared to the taxation of ordinary businesses, there exists an extreme inequity. This treatment has induced an unnatural rate of growth in Co-operatives and Credit Unions.....".

We contend that the growth of the credit union movement in Ontario (we speak only for this province in our Submission) has not been unnatural, but natural, and due mainly to the following circumstances:

(i) Credit unions are member-owned and operated.

(ii) Membership is based on a specific associational bond.

(iii) The members' money is working for them only and not for anyone outside the membership.

(iv) The credit union philosophy of self-help and service to one's fellows, which appeals to the ordinary individual.

(v) The reasonable return on savings, and low-cost loans.

(vi) The excellent insurance provided on savings and loans at no extra cost.

(vii) The strength of a movement largely united in its League.

VIII ARGUMENTS FOR TAXING CREDIT UNIONS ANSWERED

(B) Page 4 of the Submission, paragraph ii) reads in part P 72

"....Credit Unions have been able to use a large part of their untaxed profits for expansion purposes, and have in this way had a distinct advantage over their competitors in ordinary business".

Answering this statement, we submit that:

(i) of a credit union's net earnings, at least 20% must be put into a Guarantee Fund as statutory reserve against uncollectable loans and losses, under Section 28 (1) of The Credit Unions Act (see para 27 above). Some credit unions invest their Guarantee Fund in the League Central, or in Government or other bonds. Other credit unions make it available in loans to members, if the demand is high enough. In the overall picture, as will be seen from the 1961 Government statistics (Appendix 3), total credit union investments far exceed the total guarantee funds. This does not suggest that these reserve funds are being used for expansion.

(ii) The bulk of the remaining net earnings, as indicated elsewhere in this Submission, are returned to the members by way of dividends and interest rebates. These are generally credited to the members' share accounts, but are still taxable in the hands of the member if he is in a taxable bracket. The member is free to draw these credits out of the credit union if he so wishes, as they were only credited to his account for convenience, rather than being paid out in cash.

These dividends and rebates are for the most part left in the members' accounts by their own choice, and are of course available for further use, either for lending, investing or for increased liquidity.

(C) Page 28 of the Submission, paragraph 3 reads in part; P 73

"Credit Unions also show a profit on that part of their funds deposited by members which is invested in securities, loaned to trading Co-operatives, or otherwise placed on the money market".

As far as the member credit unions of this League are concerned, League statistics (Appendix 4) indicate that 99.6% of members' shares and deposits were on loan to members. Of the 8.2% of total assets that were invested, 3.3% was invested with our own League Central either as 3 1/2% deposits, or as shares on which 4% dividend has been paid for some years. As the average dividend paid by Ontario Credit Unions for 1961 was more than 4%, no profit was being made on these invested funds. 2.5% of the investments were in Government or Government guaranteed Bonds, and it is doubtful if the returns on these bonds was at a higher rate than the average dividend. 1.6% of the investments were with the Ontario Co-operative Credit Society at either 3 1/2% on deposit accounts or in shares on which a dividend of 5% was paid.

Generally speaking, credit unions are not seeking the highest returns on their surplus money, but seek a reasonable return either from their League, the Ontario Co-operative Credit Society or in Government or Government-guaranteed Bonds.

VIII ARGUMENTS FOR TAXING CREDIT UNIONS ANSWERED

(D) Page 30 of the Submission, paragraph 1, reads in part: P 74

"It seems clear that much of the growth of Credit Unions can be directly attributed to their freedom from taxation".

We contend that there is no clear evidence for this statement, and we have answered it together with a similar allegation in para 71 above.

(E) Page 30 of the Submission, paragraph 2, reads: P 75

"The extraordinary growth and prosperity which Credit Unions have enjoyed in the last twenty years and the unfair nature of the competition they provide for their fully taxed commercial competitors is sufficient reason for a reappraisal of the taxation policy to be adopted towards this type of financial business".

We submit that the phrase "unfair nature of the competition" is not relevant. As indicated in para 39 above, a credit union does not exist to compete with other financial organizations, and has no need to engage in any kind of competitive activity, because its scope of operation is limited to its own members.

If credit unions were to be taxed as the foundation wishes, then credit union interest rates would certainly be lowered, and credit unions then would be placed in a competitive position from the point of view of other financial organizations.

(F) Page 4 of the Synopsis of the Submission, paragraph 2 reads in part: "their (Credit Unions) continued P 76

growth works to the detriment of their fully taxed competitors----banks, savings and loan, trust and finance companies".

No concrete evidence was produced to substantiate this claim. Not only do we deny the statement, but claim that the reverse is more probably true. It appears that the chartered banks have only become seriously interested in the small loans field since they realized how successfully the credit unions were handling such loans at rates comparable to those the banks would charge. Trust companies do not deal in personal loans, which type represents the largest proportion of credit union loans. We do not have any evidence that finance companies are not growing along with all other financial organizations.

We feel very strongly that credit unions, whilst not actively competing with other financial organizations, have acted and still do act as bulwarks against usurious (i.e. exorbitant) rates of interest, and as such are not growing to the detriment of our "competitors", but along with them for the good of our society.

(G) Page 4 of the Synopsis of the Submission, last paragraph reads: "It is further recommended that credit unions be taxed like ordinary companies". P 77

Page 32 of the Submission, last paragraph reads: "That the special exemption accorded to Credit Unions be discontinued and that they be taxed on the same basis as ordinary financial concerns".

VIII ARGUMENTS FOR TAXING CREDIT UNIONS ANSWERED

Our only comment on the use of the phrases "ordinary companies" and "ordinary financial concerns" is that credit unions are not ordinary companies or ordinary financial concerns, but as is made clear in other parts of our Submission are unique organizations which cannot deal with the public at large, designed to serve a specific need of their members and purpose in our society, not for profit, not for charity, but for service.

IX CONCLUSION

In view of all the foregoing, the Ontario Credit Union League Limited humbly suggests to the Commission that it recommends to the Government that credit unions, and their Leagues continue as they are at present, not subject to income tax. P 78

GOVERNMENT STATISTICS

Statistics prepared by the Ontario Department of Insurance, based on the reports of 1,315 credit unions in Ontario, for the year 1961, provided the following information:

ASSETS

Cash		$ 16,320,337.
Investments		26,042,246.
Loans - Personal	$184,241,882.	
- Mortgage	34,206,229.	
- Estate	1,080,850.	
- Other	549,252.	
		220,078,213.
Lands & Buildings		2,251,139.
Other Assets (Equipment, Prepaids etc.)		2,216,520.
		$266,908,455.

LIABILITIES AND MEMBERS' EQUITIES

Shares	$183,583,300.
Deposits	47,283,122.
Estate Shares and Deposits	1,345,015.
Borrowing	9,515,704.
Other Liabilities (payables etc.)	1,159,199.
Guarantee Fund - a reserve against losses on loans to members	9,032,120.
Other Funds and Reserves (Educational, Building, etc.)	1,261,789.
Undivided Earnings (Net earnings for year plus balance forward from 1960)	13,728,206.
	$266,908,455.

INCOME	$ 21,882,510.
EXPENSE (including interest on members' deposits)	9,392,632.
Net Earnings before allocation	$ 12,489,878.

Allocation of net earnings for the year 1961 was as follows:

20% to Guarantee Funds as required by Section 28 (1) of the Credit Unions Act 1961	$ 2,497,975.
Returns to members in form of dividends and interest rebates	8,926,738.
Additions to other funds and reserves	1,065,165.
	$ 12,489,878.

The amount of $1,065,165 (above) was used for a number of purposes such as:

(1) Donations, which are not permitted to be charged as expense items. Section 4 (2) (c) of The Credit Unions Act 1961 reads:

> "subject to confirmation by its members at an annual or special general meeting, make donations and gifts out of its surplus income or any undivided earnings, other than the guarantee fund, for the purpose of advancing the interests of the credit union or of credit unions generally."

(2) Educational Funds (see para 31).

(3) Other Funds and Reserves (see paras 30 & 31).

(4) Honoraria to officers when not paid out as expenses.

ONTARIO CREDIT UNION LEAGUE

STATISTICS FOR THE YEAR ENDED DECEMBER 1961

(1,236 Credit Unions reporting)

APPENDIX 4

Percent of Total Assets	$ 0 to 50,000	$ 50,000 to 150,000	$150,000 to 500,000	$ 500,000 to 1,000,000	$1,000,000 to 3,000,000	$3,000,000 and over	Overall
ASSETS	%	%	%	%	%	%	%
Cash on hand and in Bank	9.6	6.6	5.0	3.8	5.3	2.8	4.9
Investments - O.C.C.S.	0.9	1.6	1.4	1.7	2.9	0.9	1.6
- O.C.U.L.	4.5	4.5	3.9	3.3	3.0	1.7	3.3
- Govt. Bonds	0.3	0.9	1.4	1.5	4.3	5.1	2.5
- Other	0.6	1.3	1.1	1.0	0.7	0.1	0.8
Loans - Personal	82.7	82.2	80.2	78.8	65.0	80.9	77.7
- Mortgage	0.4	1.9	5.6	7.5	16.3	7.7	7.6
- Other	0.1	0.3	0.2	0.7	0.7	0.1	0.4
Fixed Assets	0.4	0.4	0.9	1.5	1.7	0.7	1.0
Prepaid and Other Assets	0.5	0.3	0.3	0.2	0.1	0.0	0.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
LIABILITIES							
Shares	83.5	81.9	81.3	81.5	71.0	84.1	80.2
Deposits	1.7	3.2	3.8	3.2	17.4	2.3	5.8
Loans - O.C.C.S.	0.7	0.9	1.6	1.4	1.5	0.4	1.1
- O.C.U.L.	4.3	3.9	3.5	3.7	1.0	0.5	2.6
- Other	0.5	0.3	0.2	0.5	0.6	1.9	0.7
Guarantee Fund	3.6	3.7	4.0	4.0	3.6	4.8	4.0
Undivided Earnings	5.4	5.7	5.3	5.2	4.4	5.1	5.1
Educational Fund	-	-	-	-	-	-	-
Other Reserves	0.1	0.2	0.1	0.4	0.3	0.7	0.3
Other Liabilities	0.2	0.2	0.2	0.1	0.2	0.2	0.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Guarantee Fund as Percentage of Shares and Deposits	4.32	4.39	4.64	4.72	4.06	5.63	4.68
Guarantee Fund as Percentage of Loans	4.32	4.42	4.61	4.58	4.37	5.49	4.69
Loans as Percentage of Shares and Deposits	98.0	99.3	101.1	102.9	92.9	102.6	99.6
Average Investment per Member	$168	$296	$387	$498	$586	$629	$411

STATISTICS FOR THE YEAR ENDED DECEMBER 1961

(1,236 Credit Unions reporting)

Percentage of Gross Income

	$ 0 to 50,000	$ 50,000 to 150,000	$150,000 to 500,000	$ 500,000 to 1,000,000	$1,000,000 to 3,000,000	$3,000,000 and over	Overall
	%	%	%	%	%	%	%
INCOME							
Interest - Personal Loans	95.5	93.9	91.8	90.8	83.7	92.6	90.9
- Mortgage Loans	0.3	1.0	3.0	3.8	9.1	3.0	3.8
Dividends and Interest Income	1.3	2.6	2.8	2.8	4.4	3.2	3.1
Other Income	2.9	2.5	2.4	2.6	2.8	1.2	2.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EXPENSES							
Salaries and Honoraria	6.5	7.2	10.7	13.8	12.7	9.0	10.5
Share and Loan Insurance	13.8	13.4	13.0	13.3	12.8	9.4	12.4
Interest on Borrowing	3.4	3.2	3.2	3.0	3.2	1.5	2.8
Interest on Deposits	0.2	0.4	1.0	0.6	4.3	0.4	1.2
Occupancy Costs	0.9	1.2	1.1	1.4	1.8	1.2	1.3
Employee Benefits	-	0.1	0.1	0.3	0.4	0.5	0.3
Annual Meeting	1.5	1.1	0.8	0.6	0.4	0.4	0.7
Education	1.0	0.9	0.8	0.9	0.8	0.4	0.7
Office	4.7	3.2	3.2	2.8	2.8	2.5	3.0
Miscellaneous	7.6	5.6	5.1	3.7	3.2	1.2	4.0
	39.6	36.3	39.0	40.4	42.4	26.5	36.9
NET INCOME	60.4	63.7	61.0	59.6	57.6	73.5	63.1
Salaries and Honoraria as Percentage of Total Expense	16.4	19.9	27.6	34.0	30.0	33.8	28.4

GOVERNMENT STATISTICS

Statistics prepared by the Ontario Department of Insurance, based on the reports of Credit unions in Ontario, for the year 1961, provided the following information:

ASSETS

Cash		$ 16,320,337.
Investments		26,042,246.
Loans - Personal	$184,241,882.	
- Mortgage	34,206,229.	
- Estate	1,080,850.	
- Other	549,252.	
		220,078,213.
Lands & Buildings		2,251,139.
Other Assets (Equipment, Prepaids etc.)		2,216,520.
		$266,908,455.

LIABILITIES AND MEMBERS' EQUITIES

Shares	$183,583,300.
Deposits	47,283,122.
Estate Shares and Deposits	1,345,015.
Borrowing	9,515,704.
Other Liabilities (payables etc.)	1,159,199.
Guarantee Fund - a reserve against losses on loans to members	9,032,120.
Other Funds and Reserves (Educational, Building, etc.)	1,261,789.
Undivided Earnings (Net earnings for year plus balance forward from 1960)	13,728,206.
	$266,908,455.

INCOME	$ 21,882,510.
EXPENSE (including interest on members' deposits)	9,392,632.
Net Earnings before allocation	$ 12,489,878.

Allocation of net earnings for the year 1961 was as follows:

20% to Guarantee Funds as required by Section 28 (1) of the Credit Unions Act 1961	$ 2,497,975.
Returns to members in form of dividends and interest rebates	8,926,738.
Additions to other funds and reserves	1,065,165.
	$ 12,489,878.

The amount of $1,065,165 (above) was used for a number of purposes such as:

(1) Donations, which are not permitted to be charged as expense items. Section 4 (2) (c) of The Credit Unions Act 1961 reads:

> "(subject to confirmation by its members at an annual or special general meeting, make donations and gifts out of its surplus income or any undivided earnings, other than the guarantee fund, for the purpose of advancing the interests of the credit union or of credit unions generally."

(2) Educational Funds (see para 31).

(3) Other Funds and Reserves (see paras 30 & 31).

(4) Honoraria to officers when not paid out as expenses.

ONTARIO CREDIT UNION LEAGUE

STATISTICS FOR THE YEAR ENDED DECEMBER 1961

(1,236 Credit Unions reporting)

Percent of Total Assets	$ 0 to 50,000	$ 50,000 to 150,000	$150,000 to 500,000	$ 500,000 to 1,000,000	$1,000,000 to 3,000,000	$3,000,000 and over	Overall
ASSETS	%	%	%	%	%	%	%
Cash on hand and in Bank	9.6	6.6	5.0	3.8	5.3	2.8	4.9
Investments - O.C.C.S.	0.9	1.6	1.4	1.7	2.9	0.9	1.6
- O.C.U.L.	4.5	4.5	3.9	3.3	3.0	1.7	3.3
- Govt. Bonds	0.3	0.9	1.4	1.5	4.3	5.1	2.5
- Other	0.6	1.3	1.1	1.0	0.7	0.1	0.8
Loans - Personal	82.7	82.2	80.2	78.8	65.0	80.9	77.7
- Mortgage	0.4	1.9	5.6	7.5	16.3	7.7	7.6
- Other	0.1	0.3	0.2	0.7	0.7	0.1	0.4
Fixed Assets	0.4	0.4	0.9	1.5	1.7	0.7	1.0
Prepaid and Other Assets	0.5	0.3	0.3	0.2	0.1	0.0	0.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
LIABILITIES							
Shares	83.5	81.9	81.3	81.5	71.0	84.1	80.2
Deposits	1.7	3.2	3.8	3.2	17.4	2.3	5.8
Loans - O.C.C.S.	0.7	0.9	1.6	1.4	1.5	0.4	1.1
- O.C.U.L.	4.3	3.9	3.5	3.7	1.0	0.5	2.6
- Other	0.5	0.3	0.2	0.5	0.6	1.9	0.7
Guarantee Fund	3.6	3.7	4.0	4.0	3.6	4.8	4.0
Undivided Earnings	5.4	5.7	5.3	5.2	4.4	5.1	5.1
Educational Fund	-	-	-	-	-	-	-
Other Reserves	0.1	0.2	0.1	0.4	0.3	0.7	0.3
Other Liabilities	0.2	0.2	0.2	0.1	0.2	0.2	0.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Guarantee Fund as Percentage of Shares and Deposits	4.32	4.39	4.64	4.72	4.06	5.63	4.68
Guarantee Fund as Percentage of Loans	4.32	4.42	4.61	4.58	4.37	5.49	4.69
Loans as Percentage of Shares and Deposits	98.0	99.3	101.1	102.9	92.9	102.6	99.6
Average Investment per Member	$168	$296	$387	$498	$586	$629	$411

ONTARIO CREDIT UNION LEAGUE

STATISTICS FOR THE YEAR ENDED DECEMBER 1961

(1,236 Credit Unions reporting)

Percentage of Gross Income	$ 0 to 50,000	$ 50,000 to 150,000	$150,000 to 500,000	$ 500,000 to 1,000,000	$1,000,000 to 3,000,000	$3,000,000 and over	Overall
	%	%	%	%	%	%	%
INCOME							
Interest - Personal Loans	95.5	93.9	91.8	90.8	83.7	92.6	90.9
- Mortgage Loans	0.3	1.0	3.0	3.8	9.1	3.0	3.8
Dividends and Interest Income	1.3	2.6	2.8	2.8	4.4	3.2	3.1
Other Income	2.9	2.5	2.4	2.6	2.8	1.2	2.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EXPENSES							
Salaries and Honoraria	6.5	7.2	10.7	13.8	12.7	9.0	10.5
Share and Loan Insurance	13.8	13.4	13.0	13.3	12.8	9.4	12.4
Interest on Borrowing	3.4	3.2	3.2	3.0	3.2	1.5	2.8
Interest on Deposits	0.2	0.4	1.0	0.6	4.3	0.4	1.2
Occupancy Costs	0.9	1.2	1.1	1.4	1.8	1.2	1.3
Employee Benefits	-	0.1	0.1	0.3	0.4	0.5	0.3
Annual Meeting	1.5	1.1	0.8	0.6	0.4	0.4	0.7
Education	1.0	0.9	0.8	0.9	0.8	0.4	0.7
Office	4.7	3.2	3.2	2.8	2.8	2.5	3.0
Miscellaneous	7.6	5.6	5.1	3.7	3.2	1.2	4.0
	39.6	36.3	39.0	40.4	42.4	26.5	36.9
NET INCOME	60.4	63.7	61.0	59.6	57.6	73.5	63.1
Salaries and Honoraria as Percentage of Total Expense	16.4	19.9	27.6	34.0	30.0	33.8	28.4

APPENDIX # 5

Memo To: All Credit Unions
League Directors
Chapters

Date: August 16th 1963.

From: J. Hallinan

Re: Statistics for the year ended 31st December 1962

It is once again my pleasure to forward to you the final results of our Statistical Survey just completed.

You will note that in addition to the percentage analysis of the Balance Sheets and Operating statements, we are this year, for the first time, supplying you with a complete composite balance sheet giving you the disposition of the 320 million dollars held in Credit Unions and Caisses populairs. For your information we would point out that "other" under Investments and Loans (Liabilities) refers almost completely to the Investments and borrowing of Caisse populairs with their Federation.

It is with considerable pride that we point out, that Credit Union assets have increased 50 million dollars in 1962.

If you desire any other information or have any queries, we suggest you contact our Statistical Division.

Credit Unions Reporting:	1283	Number of Members:	
Caisses Populaires Reporting:	74	Credit Unions	513,509
	1357	Caisses	56,770
			570,279

ONTARIO CREDIT UNION LEAGUE LIMITED

STATISTICS FOR THE YEAR ENDED DECEMBER 1962

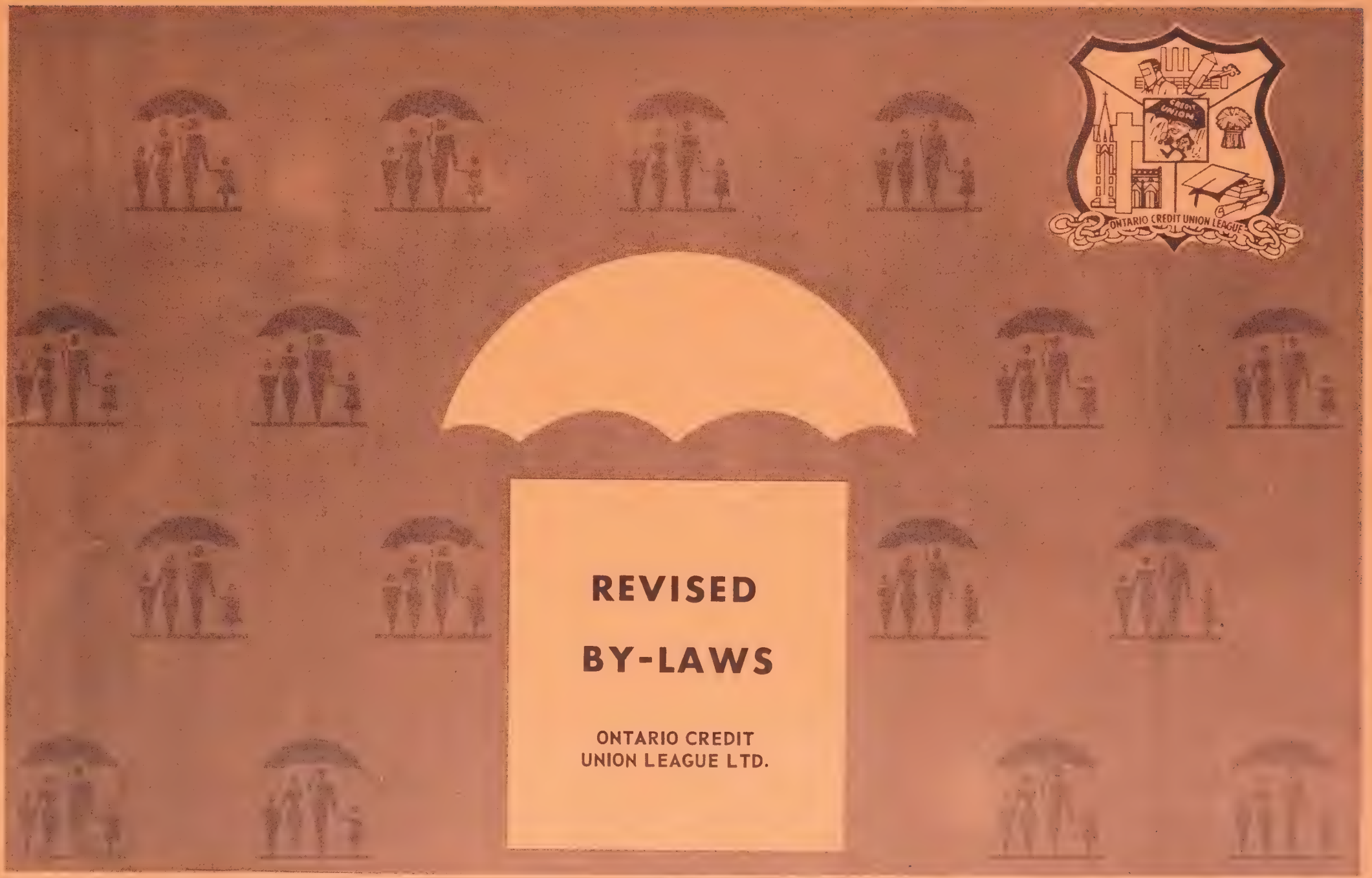
Percentage of Total Assets	$ 0 to $50,000 %	$ 50,000 to $150,000 %	$150,000. to $250,000 %	$250,000. to $500,000 %	$ 500,000 to $1,000,000 %	$1,000,000 to $3,000,000 %	$3,000,000 and over %	Overall %
ASSETS								
Cash on hand and in Bank	9.4	7.4	5.1	4.5	3.9	4.5	2.3	4.6
Investments - OCCS	1.0	0.9	1.0	1.7	1.1	2.6	1.5	1.5
OCUL	4.9	4.7	4.2	3.4	3.3	2.7	1.3	3.0
Govt. Bonds	0.2	0.8	0.8	1.5	1.3	3.2	4.9	2.4
Other	0.8	1.6	0.9	1.6	0.7	2.0	0.3	1.1
Loans - Personal	82.1	81.6	83.3	79.8	80.7	66.7	76.9	77.6
Mortgage	0.6	1.7	3.6	5.9	7.0	15.1	11.9	8.3
Estate	0.1	0.3	0.1	0.0	0.7	0.2	0.0	0.2
Other	0.1	0.2	0.0	0.0	0.0	0.6	0.1	0.2
Fixed Assets - Land & Building	0.0	0.1	0.2	0.8	0.8	1.6	0.5	0.6
Equipment	0.4	0.4	0.5	0.5	0.4	0.5	0.2	0.3
Prepaid and other Assets	0.4	0.3	0.3	0.3	0.1	0.3	0.1	0.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
LIABILITIES								
Shares	82.1	82.4	81.6	80.4	81.4	71.4	76.5	78.3
Deposits	2.5	2.0	3.1	4.3	3.0	16.5	9.1	7.2
Loans - OCCS	0.4	0.7	0.7	1.1	1.0	1.3	1.1	1.0
OCUL	5.1	4.5	4.0	4.2	4.5	1.7	2.1	3.3
Other	0.3	0.3	0.3	0.2	0.2	0.7	1.2	0.5
Guarantee Fund	3.7	4.0	4.2	4.0	4.2	3.7	4.5	4.1
Undivided Earnings	5.5	5.7	5.6	5.5	5.2	4.3	4.9	5.2
Education Fund	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Other Reserves	0.1	0.2	0.2	0.1	0.4	0.2	0.4	0.2
Other Liabilities	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Guarantee Fund as Percentage of Shares and Deposits	4.40	4.74	4.92	4.84	5.01	4.28	5.27	4.84
Guarantee Fund as Percentage of Loans	4.50	4.78	4.79	4.76	4.79	4.55	5.06	4.80
Loans as Percentage of Shares and Deposits	97.7	99.2	102.6	101.7	104.6	94.0	103.9	100.8
Average Investment per Member	$172.	$307.	$375.	$420.	$499.	$636.	$734.	$451.

ONTARIO CREDIT UNION LEAGUE LIMITED

STATISTICS FOR THE YEAR ENDED DECEMBER 1962

Percentage of Gross Income

	$ 0 to $50,000	$ 50,000 to $150,000	$150,000 to $250,000	$250,000 to $500,000	$ 500,000 to $1,000,000	$1,000,000 to $3,000,000	$3,000,000 and over	Overall
	%	%	%	%	%	%	%	%
INCOME								
Interest - Personal Loans	94.7	93.6	93.8	90.7	90.2	82.4	86.3	89.0
Mortgage Loans	0.2	1.1	1.7	3.4	4.4	9.3	8.0	5.0
Dividends and Interest Income	2.3	2.9	2.5	3.5	3.0	5.8	4.7	3.9
Other Income	2.8	2.4	2.0	2.4	2.4	2.5	1.0	2.1
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EXPENSES								
Salaries and Honoraria	6.8	7.0	9.6	11.1	13.3	13.0	9.2	10.5
Share and Loan Insurance	13.4	12.7	12.6	12.2	12.4	12.0	11.8	12.2
Interest on Borrowing	3.4	3.2	3.2	3.2	3.4	3.4	1.9	3.0
Interest on Deposits	0.3	0.4	0.6	1.5	0.6	4.5	4.2	2.2
Occupancy Costs	1.0	1.0	1.2	1.2	1.5	1.7	1.5	1.4
Employee Benefits	0.0	0.0	0.0	0.2	0.4	0.5	0.6	0.3
Annual Meeting	1.3	1.1	1.0	0.8	0.6	0.5	0.3	0.7
Education	0.9	0.7	0.8	0.7	0.9	0.9	0.5	0.7
Office	4.8	2.8	3.7	3.4	2.9	3.0	2.6	3.1
Miscellaneous	6.5	5.7	4.0	4.2	3.2	2.7	1.8	3.5
	38.4	34.6	36.7	38.5	39.2	42.2	34.4	37.6
NET INCOME	61.6	65.4	63.3	61.5	60.8	57.8	65.6	62.4
Salaries and Honoraria as Percentage of Total Expenses	17.8	20.1	26.3	28.9	34.0	30.9	26.9	27.9



REVISED

BY-LAWS

ONTARIO CREDIT
UNION LEAGUE LTD.

Credit Union Drive, Toronto 16.

25¢

APPENDIX #1

ONTARIO CREDIT UNION LEAGUE LIMITED

APPENDIX "A"

BE IT ENACTED as a by-law of Ontario Credit Union League Limited that the general by-laws enacted on the 29th day of July, 1942, as amended from time to time, be and the same are hereby repealed and the following substituted therefor:

ARTICLE 1

1. The registered office and chief place of business of the League shall be located in the Township of North York in the County of York, and Province of Ontario.

ARTICLE 11

MEMBERSHIP

1. Membership in the League shall be limited to Credit Unions duly incorporated under the laws of the Province of Ontario.

2. Application for membership shall be made in writing upon and according to the form prescribed by the Board of Directors and shall be forwarded with the prescribed entrance fee to the Secretary and presented by him at a regular or special meeting of such Board for its approval.

3. If the Board of Directors gives its approval to the application of any Credit Union for membership in the League, such Credit Union shall thereupon become a member.

4. Every member Credit Union which fails, without being excused by the Board of Directors, to pay the annual dues assessed, as hereinafter provided, within six months after the due date, may be expelled by the Board of Directors until a satisfactory arrangement for payment of such arrears has been made.

ARTICLE 111

MEETING OF MEMBERS

1. The annual meeting of the League shall be held at such time and place before the 31st day of March in each year as the Board of Directors or the preceding annual meeting may, by resolution, determine.

2. Notice of the annual meeting of the League shall be given by mailing the same by prepaid first class post at least 30 days prior to the date of the meeting to each member of the League at its address as shown on the record of members, and to the auditor.

ARTICLE 111

MEETING OF MEMBERS

3. When the notice is received generally by the members of the League, the accidental omission to give notice to any member thereof or the non-receipt of the notice by any member thereof shall not invalidate any resolution passed or any proceedings taken at such meeting.

4. Each member shall be entitled to appoint one voting delegate who is a member of a Credit Union which is a member of the League, to attend any meeting of the League and vote on behalf of the Credit Union. It may also appoint an alternate delegate who is a member of a Credit Union which is a member of the League to act in the absence of the delegate. Such delegate and alternate delegate may be appointed or elected by each member Credit Union as its by-laws or resolutions may determine and the secretary of the Credit Union shall certify to the secretary of the League, at least 15 days before the date set for the annual meeting, the names and addresses of the delegate and alternate delegate chosen.

5. At annual and special meetings of the League representatives of 50 members shall constitute a quorum and if no quorum is present the presiding officer of the meeting shall adjourn the meeting to a date not less than seven or more than fifteen days thereafter and the decision of the adjourned meeting shall be binding upon the League regardless of the number of members represented, provided that notice of the adjourned meeting shall be given by the secretary in the manner herein provided at least five days previous to the date of the adjourned meeting.

6. A special meeting of the League may be called by a two-thirds vote of the Board of Directors, or the president shall, upon the written request of not less than twenty percent of the members, call a special meeting of the League.

7. Notice of any such special general meeting shall be mailed by prepaid first class post to each member at its address as shown on the record of members, and to the auditor, at least 15 days before the date of the meeting and shall state the purpose of the meeting. At a special meeting of the League only the business stated in the notice calling such meeting may be transacted.

8. No delegate, and, except as herein provided, no member shall vote by proxy at any meeting of members.

9. Each delegate shall be entitled to one vote only regardless of the number of Credit Unions he represents.

ARTICLE 111

MEETING OF MEMBERS

10. Elections shall be by ballot. Any ballot which contains the names of more or less than the number required to be elected shall be void. In all other respects elections shall be conducted according to rules from time to time adopted by the annual meeting.

11. The Board of Directors or the annual meeting may from time to time appoint a Resolutions Committee and may require resolutions to be submitted to the annual meeting to be forwarded in writing to the League Office for submission to the Resolutions Committee at such time prior to the annual meeting as it may require. The Board or the annual meeting may from time to time give the Resolutions Committee power to reword any resolutions submitted to it, to consolidate resolutions dealing with the same subject matter, and to recommend their adoption or otherwise by the annual meeting.

12. (1) Subject to subsection 2 hereof, the order of business at annual meetings of the League shall be as follows:

(a) Opening ceremonies, including the address of the president.
(b) Roll call or registration of members, including report of Credentials Committee, if any.
(c) Reading of minutes of last meeting.
(d) Report of the Board of Directors.
(e) Report of the Comptroller.
(f) Report of the League Central.
(g) Report of the Auditor.
(h) Budget.
(i) Report of directors of Credit Union National Association, and of any committees appointed by members.
(j) Unfinished Business.
(k) Report of the Resolutions Committee.
(l) New Business including elections of directors, appointment of auditor, and election of directors of Credit Union National Association.
(m) Adjournment.

(2) Any annual meeting may vote to change the order of business.

13. At any annual meeting, by resolution on recommendation of the Board of Directors, the League may fix the basis for the calculation of dues to be paid by members, the amount thereof, and the time and manner of payment, and at any subsequent annual meeting may upon the recommendation of the Board of Directors alter or vary any of such matters.

ARTICLE IV

BOARD OF DIRECTORS

1. The Board of Directors shall consist of eighteen persons who shall be elected by ballot from the credit union membership within the League. The members of the existing Board of Directors shall hold office for the terms for which they have been elected.

2. At every annual meeting of the League an election shall be held from the credit union membership within the League to fill the place of members of the said Board whose term of office has expired and the members so elected shall hold office for three years, or until their successors in office are elected.

3. Whenever any vacancy occurs on the Board of Directors the remaining members thereof may, but need not, appoint from the credit union membership within the League a member to the said Board to hold office until the next annual meeting.

4. Regular meetings of the Board of Directors shall be held immediately prior to and following the annual general meeting and at two other times during the year preferably in the months of January and August; provided other meetings may be called by the President or Secretary and shall be called upon the petition in writing of three members thereof. The secretary shall send written notice of each meeting of the Board of Directors to each director at least seven days before the meeting, which notice shall contain the place, date and time of the meeting.

5. The Board of Directors shall have full power and authority to manage the affairs of the League and they may exercise all such powers and do all such acts and things as may be exercised or done by the League and are not by the by-laws of the League or by statute or by resolution of the members in general meeting expressly directed or required to be done by the League at general meetings of the members; but no resolution made or passed by the League in general meeting shall invalidate any prior act of the directors which would have been valid if such resolution had not been made or passed.

6. During the absence or disability of any officer, the Board of Directors may appoint another person from the credit union membership within the League to act temporarily in his stead.

ARTICLE V

OFFICERS AND THEIR DUTIES

1. The Board of Directors shall at its first meeting after every annual meeting elect from among themselves a President, a Vice-President and a Comptroller who shall hold office for one year or until their successors are elected. They shall appoint from time to time as may be necessary a general manager and such other officers as may from time to time be considered necessary for the efficient management of the League. The general manager shall not be a member of the Board of Directors but he shall be a member of a credit union which is a member of the League.

2. It shall be the duty of the President to preside at meetings of the members of the League and meetings of the Board of Directors and he shall perform such other duties as are necessary to the proper conduct of his office as President. He shall be ex officio a member of all standing and special committees.

3. It shall be the duty of the Vice-President to perform the duties of the President in the absence or disability of the President.

4. It shall be the duty of the Comptroller to prepare a budget for submission to each annual meeting showing estimated receipts and expenditures for the ensuing year; and to supervise the collection and expenditure of all League monies.

5. The General Manager shall perform all the duties ordinarily performed by a secretary-treasurer and shall be secretary of all standing and special committees and more particularly it shall be his duty to:

   (a) Attend all meetings of the Board of Directors and Executive Committee.

   (b) Keep a correct record of all meetings of members of the League and Board of Directors.

   (c) Give notice of all meetings of members in the manner prescribed by these by-laws.

   (d) Have charge of the League office as executive officer.

   (e) Have the custody of the cash, the securities, books and accounts and other valuable papers of the League; and such books and accounts shall be open at all times to the Board of Directors and the auditor or auditors employed annually by the League.

ARTICLE V

OFFICERS AND THEIR DUTIES

5. (f) Prepare a balance sheet showing the condition of the League within seven days after the close of each quarter, which statement shall be posted in a conspicuous place in the office of the League where it shall remain until replaced by the statement of the succeeding quarter.

(g) Deposit all funds in his possession within 48 hours after receiving the same in the bank prescribed by the Board of Directors; and

(h) Perform such other duties as the Board of Directors may designate.

6. The General Manager and other employees determined by the Board of Directors, shall be bonded in such amount and in such company as the Board of Directors may determine.

7. The President, Vice-President, Comptroller, and at least two other directors as may be appointed by resolution of the Board of Directors, shall constitute an Executive Committee with the power to carry on the general business of the League between meetings of the Board of Directors.

8. A majority shall constitute a quorum at any meeting of the Executive Committee.

ARTICLE VI

AUDITOR

1. The members of the League at each annual meeting shall appoint an auditor or auditors in lieu of a Supervisory Committee.

2. The auditor or auditors so appointed shall hold office until the next annual meeting, and if an appointment is not then made the auditor or auditors in office shall continue in office until a successor is appointed.

3. The remuneration of the auditor or auditors shall be fixed by the Directors.

ARTICLE VI

AUDITOR

4. The auditor or auditors shall perform all the duties of the Supervisory Committee set forth in subsection 7 and 10 of section 32 of the Credit Unions Act.

5. The auditor or auditors shall be given notice of any annual or special general meeting of the members in the same manner in which members of the League are given notice and shall have the right to attend any annual meeting of the members or any special meeting of the members at which any financial statement of the League is to be discussed, for the purpose of explaining the statement or any part thereof.

6. The remaining duties and powers of the Supervisory Committee shall be performed by the Board of Directors.

7. It shall not be necessary to elect a Supervisory Committee as required by subsection 1 of section 32 of the Credit Unions Act.

ARTICLE VII

LEAGUE CENTRAL

1. The League shall continue to operate the Department formerly called the Central Credit Department which shall hereafter be known as the League Central for the purpose of receiving money from its member Credit Unions either as payment on shares or as deposits, and making loans to Credit Unions which are members of the League. The operations of the League Central so far as possible shall be kept separate and distinct from the other operations of the League, and all payments on account of shares and all deposits shall be kept in a bank account separate and distinct from other monies of the League. At each regular meeting of the League and of the Board of Directors, the General Manager shall submit a written report of the operations of the League Central, including a Balance Sheet and a Profit and Loss Statement for the preceding period.

2. The Board of Directors shall appoint from time to time one or more employees of the League, who shall be known as credit officers to perform all the duties of the Credit Committee set forth in the Credit Unions Act. It shall not be necessary to elect a Credit Committee as required by subsection 1, of section 31 of the Credit Unions Act.

ARTICLE V11

LEAGUE CENTRAL

3. The value of each share of the League shall be $10.00 and payments for shares shall be made when subscribed for.

4. Money paid in as payment for shares may be withdrawn at any time, provided that a member may be required to give 60 days notice of its intention to withdraw any monies paid in on shares.

5. A member Credit Union may deposit money with the League in sums of not less than $10.00 at any one time.

6. Deposits may be withdrawn by a member Credit Union at any time, provided that a member Credit Union may be required to give 30 days' notice of its intention to withdraw any such monies.

7. Interest may be paid on deposits as determined by a resolution of the Board of Directors.

8. Applications for loans shall be made in writing upon and according to the form prescribed by the Board of Directors.

9. No loan shall be made unless application therefor has been approved by a credit officer. The application and the approval or other report thereon shall be filed as a permanent record of the League.

10. The rate of interest on loans shall be fixed from time to time by the Board of Directors, provided that such rate, including all charges and penalties, shall not exceed one per centum per month.

11. A member Credit Union may repay its loan or any part thereof at any time before the due date.

ARTICLE V111

CHAPTERS

1. The Board of Directors may, as the need develops, organize local chapters of the League for the purpose of promoting cooperation among credit unions within the chapter districts, organizing new credit unions, and promoting League membership.

ARTICLE V111

CHAPTERS

2. Each chapter shall be composed of the members of the League in the district, and the limits of the district shall be determined by the Board of Directors.

3. The Board of Directors may, out of League funds, assist in the financing of chapter activities upon whatever basis the Board deems advisable, but no chapter shall, without the express written authority of the Board of Directors, have authority to incur any liability on the part of the League.

ARTICLE 1X

EXPULSION AND WITHDRAWAL

1. Except as provided in Article 11, Section 4, the League may, upon the recommendation of the Board of Directors, at any annual or special meeting called for such purpose, expel any member thereof, provided such member shall be given notice of the intended expulsion and an opportunity of appearing before the meeting for a hearing.

2. Subject to the Act and the By-Laws of the League any member thereof may, upon application to the Board of Directors withdraw from the League.

3. The withdrawal or expulsion of any member of the League shall not relieve such member of his liabilities, if any, to the League.

4. The amount of money paid in on shares or deposits by any member which has withdrawn or has been expelled from the League shall, after deducting the amounts, if any, due by such member to the League, be paid to such member in the order of withdrawals and expulsions, provided such payment shall not be made until funds are available.

ARTICLE X

VOLUNTARY DISSOLUTION

1. The League may by resolution of three-fourths of its members dissolve.

ARTICLE XI

GENERAL

1. The fiscal year of the League shall end on the 31st day of December in each year.

2. The seal, an impression whereof is stamped on the margin hereof, shall be the seal of the League.

3. Contracts, documents, or any instruments in writing which are required to be under seal shall be signed by the President or Vice-President and the Secretary or such other persons as the Board of Directors may by resolution prescribe, together with an impression of the seal of the League.

4. When the term of office of any elected officer of the League expires, such officer shall be eligible to be elected to the same office or to any other office in the League.

5. The Board of Directors may by resolution for the purpose of carrying out the objects of the League provide for the holding, purchasing or leasing in its own name of land and for the sale, exchange or leasing thereof.

6. The Board of Directors may by resolution authorize the payment of any necessary travelling expenses and other expenses incidental thereto in carrying out the undertaking of the League and may authorize the payment of salaries and such other expenses as they deem necessary.

7. Funds of the League which are not required for the purpose of the League may be invested in such investments as the Board of Directors may determine.

8. Whenever in these by-laws reference is made to the "Act" it shall mean the Credit Unions Act, 1960, and amendments thereto, and "the first meeting" shall mean the first meeting convened pursuant to the Memorandum of Association or the Regulations.

ARTICLE X11

AMENDMENT OF BY-LAWS

1. The Directors of the League may from time to time pass by-laws not contrary to the Certificate of Incorporation or the Act, and from time to time amend or repeal the same, but no such by-law, repeal, or amendment thereof shall take effect until confirmed or approved by a vote of two-thirds of the members represented at a meeting of members called for the purpose of considering the same, nor until it has been approved by the Supervisor of Credit Unions as required by the Act.

ARTICLE X111

EFFECTIVE DATE

1. These by-laws shall become effective upon approval by the Supervisor of Credit Unions, and approval by the members of the League at a meeting called for the purpose of considering the same.

ENACTED this 7th day of January, 1961

D. R. BELL
President

J. M. HALLINAN
Secretary

(Corporate Seal)

CERTIFIED to be a true copy of a by-law passed by the directors of Ontario Credit Union League Limited on the 7th day of January, 1961, and confirmed by two-thirds of the members represented at the annual meeting of Ontario Credit Union League Limited on the third day of March, 1961, which meeting was called for the purpose, among others, of approving the said by-law.

D. R. BELL
President

J. M. HALLINAN
Secretary

LOCAL NO.
AMALGAMATED
LITHOGRAPHERS
OF AMERICA
TORONTO
31

APPENDIX # 2

STANDARD BY-LAWS

BY-LAWS

BE IT ENACTED BY.....

.....Credit Union Limited, as by-laws thereof as follows:-

ARTICLE I
REGISTERED OFFICE

1. The registered office of the credit union shall be situated within....

.....in the County of..... Province of Ontario.

ARTICLE II
MEMBERSHIP

1. Membership in the credit union shall be limited to:

.....

.....

.....

.....

.....

.....

2. Application for membership shall be made in writing and shall be presented to a meeting of the Board of Directors for its approval.

3. The Board of Directors may give its approval to the application of any person qualified for membership in the credit union and a person whose application has been so approved shall not become a member until he has qualified by paying the entrance fee of.....cents and has subscribed for one o more shares of the credit union and has paid at least the first instalment thereon.

4. Subject to the provisions of section 25 of the Act a person under the age of twenty-one years may be admitted as a member of the credit union in the same manner as persons over the age of twenty-one years may be admitted.

5. Notwithstanding the provisions of Section 1 of Article X1 every member of the Credit Union who ceases to have the qualifications for membership in the credit union set out in Section 1 of Article 11 shall withdraw from the credit union if requested by the Board of Directors and if he fails to do so he may be expelled by the Board of Directors.

6. Notwithstanding the provisions of Section 1 of Article X1 where a person has been admitted as a member and has paid the entrance fee but has failed to pay in full for at least one share and for six months has failed to pay any instalment thereon, he may at the discretion of the Board of Directors and after notice in writing by post or otherwise be struck off the list of members of the credit union and any moneys paid to the credit union as part payment for a share or shares plus any money received on deposit shall be returned to such member.

ARTICLE 111
CAPITAL AND LIABILITY

1. The value of each share of the credit union shall be $5.00.

2. Payment for shares shall be made when subscribed for or in instalments of.....on each share subscribed.

3. Money paid in as payment for shares or instalment of shares may be withdrawn on any day when payment for shares is received provided that the Board of Directors may require a member at any time to give sixty days' notice of his intention to withdraw any moneys paid in as payment for any share or shares.

ARTICLE IV
DEPOSITS

1. A member may deposit money with the credit union in sums of not less than .....at any one time during the times prescribed by the Board of Directors for making deposits.

2. Deposits may be withdrawn by a member on any day on which the office of the credit union is open for business provided that the Board of Directors may at any time require such member to give thirty days' notice of his intention to make any withdrawal.

3. Interest may be paid on deposits which have been on deposit more than one month preceding the interest day and on the accumulated interest either monthly, quarterly, half-yearly, or yearly and the interest period and the days of payment thereof shall be determined by the Board of Directors.

ARTICLE V
LOANS

1. Applications for loans shall be made in writing upon and according to a form which shall be prescribed by the Credit Committee and approved by the Board of Directors.

2. The loan application and the approval or other report thereon shall be filed as a permanent record of the credit union.

3. (a) The total amount on loan to any member at any time shall not exceed $200.00 unless security therefor has been given.

(b) The total amount on loan to any member at any time shall not exceed $1,000.00 in excess of the member's savings, or 5% of the credit union's capital, deposits and surplus in excess of the member's savings, whichever is the greater.

(c) No loan shall be for more than $3,000.00 in excess of the member's savings unless secured by a first mortgage of real estate and in no case shall the total amount on loan to any member at any time exceed $10,000.00.

(d) Within the meaning of this section a chattel mortgage, an assignment of wages or of other moneys receivable, an assignment of shares of the credit union, or the endorsement of a promissory note may be deemed security, provided that the filing of an executed assignment of wages with an employer shall be at the discretion of the Board of Directors.

4. The rate of interest on loans shall be fixed from time to time by the Board of Directors, provided that such rate including all charges and penalties shall not exceed one per centum per month.

5. A borrower may repay his loan or any part thereof on any day the office of the credit union is open for business.

ARTICLE VI
MEETINGS OF MEMBERS

1. The annual meeting of the credit union shall be held within months after the end of the fiscal year in the ..... of ....in the county of.....at such date, place and time as the Board of Directors may, by resolution, determine.

2. Notice of the annual meeting and of every special meeting of the credit union shall be given by the Secretary who shall at least seven days prior to the date of every such meeting post a notice of the meeting in the registered office of the credit union and mail a notice thereof to each member of the credit union at the address of such member in the registered list of members and it shall not be necessary to register such notice or to advertise the same in any newspaper.

In lieu of mailing such notice it may be personally delivered to the member.

3. When notice is received generally by the members of the credit union the accidental omission to give notice to any member thereof or the non-receipt of the notice by any member thereof shall not invalidate any resolution passed or any proceedings taken at each meeting.

4. No member shall have more than one vote at any meeting of the credit union regardless of the number of accounts in his name and voting by proxy shall be allowed only when shares are held by an agricultural association, a municipal body, a school board or other corporation.

5. At the annual and special meetings.....members shall constitute a quorum and if no quorum is present the presiding officer of the meeting shall adjourn the meeting to a date not less than seven or more than fifteen days thereafter and the decision of the adjourned meeting shall be binding upon the credit union regardless of the number of members present provided that notice of the adjourned meeting shall be given by the secretary in the manner herein provided at least five days previous to the date of the adjourned meeting.

6. A special meeting of the credit union may be called by the Board of Directors or by the Supervisory Committee and the Board of Directors shall upon the written request of one-tenth of the members and if the credit union has more than one thousand members upon the written request of one hundred or more members call a special meeting of the credit union.

7. At a special meeting of the credit union only the business stated in the notice calling such meeting may be transacted.

8. (1) The Board of Directors may appoint a nominating committee of three members who shall nominate one member for each vacancy for which an election is to be held.

(2) When a nominating committee has been so appointed the Chairman at the annual meeting shall place the names of the persons nominated for the vacancies before the meeting and shall then call for other nominations for each vacancy.

9. The order of business of meetings of the credit union shall be as follows:

(a) Roll call or registration of members;
(b) Reading of the minutes of last meeting;
(c) Report of the Board of Directors;
(d) Report of the Treasurer;
(e) Report of the Credit Committee;
(f) Report of the Supervisory Committee;
(g) Unfinished business;
(h) New business, including elections;
(i) Adjournment.

10. Elections shall be by ballot. Any ballot which contains votes for more or less than the number required to be elected shall be void.

ARTICLE VII
BOARD OF DIRECTORS

1. The Board of Directors shall consist of.....members elected by ballot. The members of the existing Board of Directors shall hold office for the terms for which they have been elected.

2. At every annual meeting of the credit union after the first election of the Board of Directors an election shall be held to fill the place of members of the said Board whose term of office has expired and the members so elected shall hold office for .....years, or until their successors in office are elected or appointed.

3. Regular meetings of the Board of Directors shall be held in Ontario.....(monthly preferred) provided other meetings may be called by the President or upon the petition of three members thereof.

4. Subject to these by-laws the Board of Directors shall manage the affairs of the credit union and it shall be more particularly their duty to:

(a) act upon all applications for membership and the expulsion and withdrawal of members.

(b) fix the amount of the bond which shall be required of any officer having the custody of funds.

(c) determine, from time to time, interest rates and fix the maximum number of shares which may be held by and the maximum amount which may be deposited by any member of the credit union.

(d) recommend to the annual meeting the payment of dividends and when deemed advisable to recommend the partial refunding of moneys received as interest on loans.

(e) have charge of investments other than loans to members.

(f) recommend amendments to the by-laws.

(g) designate the bank, Province of Ontario Savings Office, Ontario Co-operative Credit Society or Trust Company licensed to carry on business in Ontario in which the funds of the credit union shall be deposited and designate the person or persons who may sign and countersign cheques on behalf of the credit union.

(h) employ, fix the compensation and prescribe the duties of such employees as may, in the discretion of the Board of Directors, be necessary.

(i) act upon any application of a member for the postponement of any payment or payments on a loan,

(j) perform all duties and take all precautions necessary for the interest of the credit union not within the jurisdiction of the general meeting and not inconsistent with the Act, the regulations and these by-laws and perform such other duties as the members may from time to time designate.

5. During the absence or disability of any officer, the Board of Directors may appoint another member of the credit union to act temporarily in his stead.

ARTICLE VIII
OFFICERS AND THEIR DUTIES

1. The Board of Directors shall at their first meeting after the first meeting of the credit union and at their first meeting after every annual meeting of the credit union elect from their own number a President and a Vice-President and shall appoint a Secretary and a Treasurer of the credit union who may but need not be members of the Board of Directors and all such officers shall hold office until their successsors are elected or appointed as the case may be provided that the offices of Secretary and Treasurer may be held by the same person.

2. It shall be the duty of the President to preside at meetings of the members of the credit union and meetings of the Board of Directors and he shall perform such other duties as are necessary to the proper conduct of his office as President.

3. It shall be the duty of the Vice-President to perform the duties of the President in the absence or disability of the President and such other duties as the Directors may designate.

4. It shall be the duty of the Secretary to have custody of the books of record of the credit union, including the charter, the seal, minutes, bonding documents, etc., to keep a correct record of all meetings of members of the credit union and of the Board of Directors and he shall give notice of all meetings of members in the manner prescribed by these by-laws and shall perform such other duties as the Board of Directors may designate.

5. It shall be the duty of the Treasurer to:

(a) be the General Manager of the credit union unless the Board of Directors has by resolution appointed another person to be the Manager, in which case the Treasurer shall carry out such duties as the Board of Directors shall prescribe;

(b) have the custody of the cash, the securities, books and accounts of the credit union; which books and accounts shall at all times be open to the inspection of the Board of Directors and Supervisory Committee;

(c) prepare a financial statement showing the condition of the credit union within fifteen days after the close of each month, which statement shall be posted in a conspicuous place in the office of the credit union where it shall remain until replaced by the statement of the succeeding month; and

(d) deposit all funds received within forty-eight hours after receiving the same exclusive of Saturdays, Sundays and Bank Holidays in the depositories prescribed by the Board of Directors and all payments or withdrawals of money shall be made in the manner prescribed by the Board of Directors.

6. The Board of Directors may by resolution set up a fund not exceeding $100.00 and authorize the Treasurer to keep such amount in cash for such purposes as may be designated in the resolution.

ARTICLE IX
CREDIT COMMITTEE

1. The Credit Committee shall consist of.....members elected by ballot. The members of the existing Credit Committee shall hold office for the terms for which they have been elected.

2. At every annual meeting of the credit union after the first election of the Credit Committee an election shall be held to fill the place of members of the said Committee whose term of office has expired and the members so elected shall hold office for.....years, or until their successors in office are elected or appointed.

3. The Credit Committee shall from among themselves elect a Chairman of such Committee.

4. Regular meetings of the Credit Committee shall be held..... .....and other meetings may be called by the Chairman of such Committee or upon the petition of two members thereof.

5. No approval of a loan shall be given by the Credit Committee unless a meeting of such Committee unanimously consents to such approval.

ARTICLE X

SUPERVISORY COMMITTEE

1. The Supervisory Committee shall consist of three members elected by ballot. The members of the existing Supervisory Committee shall hold office for the terms for which they have been elected.

2. At every annual meeting of the credit union after the first election of the Supervisory Committee, an election shall be held to fill the place of members of the said Committee whose term of office has expired and the members so elected shall hold office for .....years, or until their successors in office are elected, or appointed.

3. The Supervisory Committee shall from among themselves elect a Chairman of such Committee.

4. Regular meetings of the Supervisory Committee shall be held .....and other meetings may be called by the Chairman of such Committee or upon the petition of two members thereof.

ARTICLE XI
EXPULSION AND WITHDRAWAL

1. Except as provided in Sections 5 and 6 of Article 11 the credit union may upon the recommendation of the Board of Directors at any annual or special meeting called for such purpose expel any member thereof provided such member shall be given notice of the intended expulsion and an opportunity of appearing before the meeting for a hearing.

2. Subject to the Act and the by-laws of the credit union any member thereof may upon application to the Board of Directors withdraw from the credit union.

3. The withdrawal or expulsion of any member of the credit union shall not relieve such member of his liabilities, if any, to the credit union.

4. The amount of money paid in on shares or deposits by any member who has withdrawn or has been expelled from the credit union shall, after deducting the amounts, if any, due by such member to the credit union be paid to such member in the order of withdrawals and expulsions provided such payment shall not be made until funds are available.

5. When a member withdraws all money to his credit as shares and deposits and has no loan balance owing to the credit union he shall be deemed to have withdrawn from membership in the credit union and his name may be struck off the list of members.

ARTICLE XII
GENERAL

1. The fiscal year of the credit union shall expire on

..... (SEAL)

2. The seal, an impression whereof is stamped on the margin hereof shall be the seal of the credit union.

3. Contracts, documents or any instruments in writing which are required to be under seal shall be signed by the President or Vice-President and the Secretary or such other persons as the Board of Directors may by resolution prescribe together with an impression of the seal of the credit union.

4. When the day fixed for any meeting of the credit union, Board of Directors, Credit Committee or Supervisory Committee, falls upon a holiday such meeting shall be held on the next business day provided that any such meeting may, upon the giving of due notice, be held on a holiday.

5. When the term of office of any officer of the credit union expires, such officer shall be eligible to be elected to the same office or to any other office in the credit union.

6. No payments or expenses of any kind shall be made unless authorized by the Board of Directors.

7. The officers and members of the Board of Directors and of Committees shall hold all transactions of the members of the credit union in strict confidence.

8. Whenever in these by-laws reference is made to "Act" it shall mean the Credit Unions Act, 1960 and the "first meeting" shall mean the first meeting convened pursuant to the Regulations.

9. On or before the first day of March in each year during the time the credit union is a member of any Federation, Regionale or League each person eighteen years of age or over who was a member on December 31st of the preceding year shall pay a yearly assessment of one dollar which amount may be deducted by the credit union from the share or deposit account of the member and shall forthwith be paid to the said Federation, Regionale or League to assist in its financing.

10. All by-laws previously enacted are revoked upon the coming into force of these by-laws.

ARTICLE X111
AMENDMENT OF BY-LAWS

The Directors of the credit union may from time to time make by-laws not contrary to the Certificate of Incorporation or The Act and from time to time amend, vary or repeal the same provided that no such by-law, repeal, amendment or variation thereof shall take effect until confirmed or approved by a vote of two thirds of the members present at a members' meeting duly called for the purpose of considering the same and has been approved by the Supervisor of Credit Unions pursuant to Section 16 of The Act.

ENACTED this.....day of .....19.....

Witness the Corporate Seal of the Credit Union.

....
Secretary President
(SEAL)

CONFIRMED by two-thirds of the members present at .....

meeting of..... ....Limited,

duly held at ..... Ontario, the .....day of

.....19 .

....
Secretary President

LOCAL NO. 31
AMALGAMATED
LITHOGRAPHERS
OF AMERICA
TORONTO
31